El Salvador Fiscal Policy and Expenditure Management Program (FPEMP)

Quarterly Report
December 2013 – February 2014

March 2014

FISCAL POLICY AND EXPENDITURE MANAGEMENT PROGRAM (FPEMP)

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ACRONYMS

AECID	Spanish International Cooperation
CIAT	Inter-American Center of Tax Administrations
COMPRASAL	e-Procurement System
COP	Chief of Party
CSMS	Case Selection Management System
DAI	Development Alternatives Inc.
DFDMH	MOF Training and Human Talent Development Department
DGCG	General Directorate for Government Accounting
DGII	General Directorate for Internal Revenue
DGP	Budget General Directorate
DGT	Treasury General Directorate
DINAFI	National Directorate for Financial Administration
FPEMP	Fiscal Policy Expenditure Management Program
GIZ	German International Cooperation
GOES	Government of El Salvador
IPSAS	International Public Sector Accounting Standards
IVP	International Visitors Program
MOF	Ministry of Finance
OECD	Organization for Economic Co-operation and Development
PAAC	Annual Work Plan of Acquisitions and Procurement
SAFI	National Financial Management System
TCA	Taxpayer Current Account
TRS	Taxpayer Registration System
TSA	Treasury Single Account
UAAP	Hearings and Test Opening Unit
UNAC	National Procurement Office
USAID	United States Agency for International Development
USG	United States Government

Executive Summary

The United States Agency for International Development (USAID) signed a contract with Development Alternatives Inc. (DAI) on June 10, 2011 to design and implement a program for modernizing and improving fiscal policy and expenditure management in El Salvador.

The purpose of the Fiscal Policy and Expenditure Management Program (FPEMP) is to support a technical assistance program to the Government of El Salvador's (GOES) Ministry of Finance (MOF) in the areas of tax policy and administration, public expenditure management systems, and public-private dialogue between the government, the private sector and civil society. The main counterpart for these activities is the MOF.

FPEMP has three main components. These are:

1. Component A: Enhanced Public Expenditure Management
2. Component B: Improved Revenue Mobilization
3. Component C: Strengthened Private Sector Engagement

Highlights for December 2013 to February 2014, the third quarter of year three, are listed below:

Quarterly results

- Reviewed and secured approval of the accounting subsystem conceptual model
- Developed the accounting modernization work plan
- Developed the treasury subsystem software work plan
- Completed an IVP to Argentina on budget programs formulation, budget monitoring and evaluation, and results-oriented budgeting
- Reached agreement with the MOF on FPEMP support for the SAFI II development
- Delivered a training on use cases design methodology to DINAFI, DGT, DGCG and DGP
- Delivered a conceptual test for the SAFI II development
- Supported the development of the SAFI II strategic plan
- Delivered a training on FPEMP software development framework to DINAFI
- Completed an IVP to Panama and Colombia on IQC and reverse auction procurement strategies
- Developed the COMPRASAL II work plan
- Supported the TRS institutionalization
- Supported the TCA institutionalization
- Provided assistance to the OECD and CIAT conference on tax administration

- Completed the fiscal audit, portfolio management (gestion tributaria y grandes), notary (fedatario), punto fijo, and special plans audit modules
- Launched the Trilateral Cooperation on Fiscal Transparency
- Organized workshops on fiscal transparency
- Launched the Fiscal Transparency Initiative for Municipalities
- Participated in the PFG fair under the EXPRESATE center initiative
- Established the DFDMH computer lab

Other Activities Performed

- Developed the IPSAS adoption implementation plan
- Reviewed the proposed chart of accounts and implemented adjustments to the Salvadoran transitional accounts
- Completed the treasury subsystem use cases design
- Implemented the DGP functional administrative reform
- Provided support for the budget subsystem development work plan
- Coordinated with the MOF and donors on the SAFI II development work plan
- Developed the COMPRASAL II PAAC module
- Provided support for the web services implementation
- Provided support for the TCA procedures improvements for DGII and DGT
- Delivered training program on CSMS II modules
- Developed the CSMS II UAAP module
- Launched the CSMS II audit modules for DGII
- Redesigned the fiscal transparency portal
- Implemented EXPRESATE center activities
- Supported the MOF HR system based on competencies implementation
- Coordinated with GIZ and AECID in the development of a white paper for the Fiscal Sustainability Agreement.
- Implemented the Trilateral Initiative on Fiscal Transparency
- Coordinated with the Municipal Development Sub-secretariat on the fiscal transparency initiative for municipalities

Introduction

This report covers FPEMP activities during the period from December 1, 2013 to February 28, 2014. The program began on June 10, 2011, when USAID and DAI signed the contract. The program is for four years with an optional fifth year, and the entire four-year base period concludes on June 9, 2015.

USAID commissioned DAI and its FPEMP team to design and implement a program for modernizing and improving public expenditure management, tax policy and administration, and strengthen public-private sector dialogue in El Salvador. The program goals are to build a modern and transparent public expenditure system that follows the best international practices, to strengthen tax policy and administration, to improve revenue collection, and to facilitate private sector outreach.

FPEMP hereby presents the progress achieved, according to the program's three components:

- Component A: Public expenditure management

- Component B: Tax revenue mobilization

- Component C: Private sector outreach

During the quarter, the Government of El Salvador (GOES) Ministry of Finance (MOF) requested that FPEMP support the development of the National Financial Management System (SAFI) II, a component of great importance for the implementation of the public modernization agenda. The program will support the SAFI II treasury subsystem use cases design and software development and will provide technical assistance to the budget and accounting subsystems use cases design and software development.

Furthermore, the program launched the Trilateral Cooperation on Fiscal Transparency and the Fiscal Transparency Initiative for Municipalities, a project driven by the governments of the United States, Brazil, and El Salvador.

Component A – The MOF requested that FPEMP support the development of SAFI II. The program will design the use cases and support the software development for the treasury subsystem, accounting subsystem, and budget execution module. It is important to note that the entire treasury subsystem will be developed by FPEMP, while the program will only provide support to the other subsystem and module. The program agreed to support the task, because SAFI II is critical for programmatic and results-oriented budgeting, advanced Treasury Single Account (TSA), the adoption of the International Public Sector Accounting Standards (IPSAS), and the modernization of the public expenditures.

Regarding the National Procurement Office (UNAC) strengthening task, the MOF requested support for the development of the e-Procurement System (COMPRASAL) II. In launching the task, the program initiated the development of the COMPRASAL II Annual Work Plan of Acquisitions and Procurement module (PAAC), which will continue during subsequent quarters.

Additionally, the program completed an IVP to Panama and Colombia that focused on modern procurement systems.

On the IPSAS adoption project, the program completed the development of the accounting conceptual module, which was approved by the General Directorate for Government Accounting (DGCG). In addition, the program agreed to review the proposed charts of accounts before receiving the final approval.

As for the budget modernization project, the proposed reform of the Budget General Directorate (DGP) has been reviewed and is still pending approval. Furthermore, the program completed an IVP to Argentina on budget programs, budget monitoring and evaluation, and results-oriented budgeting.

Component B – FPEMP continued to make important progress in carrying out tasks under this component. The program continued supporting the activities proposed to address the structural conditions that negatively impact information in the Taxpayer Registration System (TRS) and Taxpayer Current Account (TCA). Additionally, the program continued supporting the cleaning of the TRS and TCA, as it obtained MOF approval and implemented the task.

Regarding the development of the Case Selection Management System (CSMS) II, the program developed more than 50% of the system, and it is conducting tests in coordination with the General Directorate for Internal Revenue (DGII) teams. It is expected that the implementation of the new development will take place next quarter and will support the MOF in its revenue collection season.

Component C – As stated previously, the program launched the Trilateral Cooperation on Fiscal Transparency and the Fiscal Transparency Initiative for Municipalities. Both tasks are of great importance to the governments of the United States, Brazil, and El Salvador. The technical assistance will provide the Government of El Salvador with improved transparency. In addition, the program continued working on the modernization of the fiscal transparency portal by selecting the contractor and launching the effort.

Moreover, FPEMP presented to the German International Cooperation (GIZ) and the Spanish International Cooperation (AECID) a proposal for the development of a Fiscal Sustainability Agreement for El Salvador. The document would be submitted to the incoming Salvadoran Government to aid in the creation of an agreement with the private sector and civil society to address the complicated fiscal environment the country is facing. GIZ and AECID agreed with the proposal and are currently coordinating efforts to develop the document during the next quarter.

COMPONENT A: Public Expenditure Management

FPEMP continued supporting the MOF in advancing its public expenditure management reform agenda, striving to achieve a budget process that is more effective, transparent, innovative, and responsive. Among others, FPEMP supports the MOF in improving treasury operations, modernizing government accounting through IPSAS adoption, and enhancing its financial management information system.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks under Component A during the quarter, including:

- **Reviewed and secured approval of the accounting subsystem conceptual model** – FPEMP developed the accounting subsystem conceptual model that will be the foundation for the development of the SAFI II accounting subsystem. The model was developed under the IPSAS methodology and approved after discussion with the DGCG. However, the implementation of the IPSAS methodology has been complicated, because the DGCG technicians were not complying with the previous agreement obtained with the MOF on the adoption strategy and agenda. The Chief of Party (COP) expressed his concern to the DGCG Director and that under no circumstances could the situation be tolerated, as it could generate additional delays and costs. The Director promised to take the necessary steps to keep the situation from occurring again.

- **Developed the accounting modernization work plan** – The program made adjustments to the preliminary work plan and developed the final work plan for the IPSAS adoption, which was approved by the DGCG. It covers the period of time and specific activities that are required for the effective implementation of the IPSAS. The COP requested that the DGCG Director instruct his staff on the need to comply with the approved schedule, and the Director concurred.

- **Developed the treasury subsystem software work plan** – The program developed the treasury subsystem work plan, which was developed with estimated workload inputs forecasted by the FPEMP treasury consultants. It is expected that the software development will start in June 2014.

- **Completed an International Visitors Program (IVP) to Argentina on budget programs formulation, budget monitoring and evaluation, and results-oriented budgeting** – FPEMP completed an IVP to Argentina on budget program formulation, budget monitoring and evaluation, and results-oriented budgeting. The DGP Director, the DGP Medium Term Expenditure Framework Division Manager, the DGP Medium Term Expenditure Framework Division Technician and the COP took part in IVP, covering such topics as the Argentinian experience, legal framework, institutional framework, methodologies and information system of budget programs formulation, budget M&E, and results-oriented budgeting. Additionally, the GIZ program accepted an invitation from FPEMP to attend the IVP and cover the costs of two technicians from the DGP

- **Reached agreement with the MOF on FPEMP support for the SAFI II development** – The MOF requested that FPEMP support the development of SAFI II. On the functional side,

the support would involve the use cases design for the treasury subsystem, the budget execution module use cases design, and the accounting subsystem use cases design. On the software development side, it would entail the generation of code (40% of the software) for the budget subsystem and the accounting subsystem as well as the full development of the treasury subsystem. The program agreed to support the system development, but it would need to be under FPEMP's standards, frameworks, and tools, given the level of success achieved through them to date on FPEMP and its predecessor project, Tax Policy and Administration Reform. In addition, the COP expressed that the current problems with the tasks assignment (i.e., multiple donor efforts disarticulated) must be addressed. It is important to note that it is not possible to implement results-oriented budgeting, the programmatic budget, advanced TSA and IPSAS without SAFI II. As FPEMP continues supporting the task, it will work to recover the time lost by the MOF and other donors during the last two years.

- **Delivered training on use cases design methodology to the National Directorate for Financial Administration (DINAFI), Treasury General Directorate (DGT), DGCG and DGP** – FPEMP consultants delivered training on use cases design methodology to DINAFI, DGT, DGCG and DGP technical staff. The training was attended by 33 people, including 13 women.

- **Delivered a conceptual test for the SAFI II development** – The program developed a conceptual test for the SAFI II development using the program's development framework. The program created a "step-by-step" document explaining the code generation strategy for DINAFI. The document will be used by DINAFI staff in the completion of the SAFI II software development process with business rules programming.

- **Supported the development of the SAFI II strategic plan** – The program explained to DINAFI the software development strategy used by the FPEMP consultants. The document showed that it is part of the strategic plan for SAFI II software development. As explained previously, the MOF agreed on the adoption of the program standards and methodologies.

- **Delivered training on FPEMP software development framework to DINAFI** – The program delivered training on FPEMP's software development framework to 10 members of DINAFI's staff, including women.

- **Completed an IVP to Panama and Colombia on indefinite quantity contract and reverse auction procurement strategies** – FPEMP completed an IVP to Panama and Colombia on IQC and reverse auction procurement. The UNAC Manager, the UNAC supplier Management Technician, the UNAC Norms and Training Unit Technician and the COP participated in the IVP, covering topics such as the countries' experiences, cases studies of success and failures, economic aspects, tools, management and legal framework of indefinite quantity contract and reverse auction procurement strategies. The Inter-American Development Bank accepted an invitation from FPEMP to attend the IVP and sent the consultant supporting UNAC.

- **Developed the COMPRASAL II work plan** – The COMPRASAL II system was conceived as a transactional e-procurement system that will strengthen the UNAC role, support the GOES in achieving a greater than 60% improvement in procurement, provide transparency, and allow civil society and the private sector to track public expenditures through an interface of COMPRASAL II and the MOF fiscal transparency portal. This shows why the

development of the system is critical for improving transparency and implementing the public expenditure agenda. The program will develop the entire system following international standards. FPEMP developed the COMPRASAL II work plan, which covers the following:

Phase I
    Annual Work Plan of Acquisitions and Procurement (PAAC)
    Open Management (libre gestion)
    Purchase Orders Management

Phase II
    Request for Proposals
    Direct Award
    Public Biding
    Contracts Administration
    Warranties Administration

ACTIVITIES/WORK IN PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component A:

- **Development of the IPSAS adoption implementation plan** – The program reviewed the preliminary implementation plan proposed to the DGCG, and they requested a more detailed plan. The program expert then developed a detailed implementation plan that was approved by the DGCG. The COP raised his concerns to the DGCG Director, as delays could be seen due to reasons beyond the program's control. So the Director committed to honoring the agreements and the approved schedule.

- **Review of the proposed chart of accounts and adjustments to the Salvadoran transitional plan** – The program previously developed the chart of accounts under IPSAS, which was approved by the DGCG. However, the DGCG developed an alternative chart of accounts that is contrary to the IPSAS adoption agreement. The program communicated to the DGCG Director that this was not acceptable, because the IPSAS adoption was part of an agreement reached last year with the GOES to provide transparency on public expenditures. The Director confirmed his commitment to the IPSAS adoption and requested that the program's IPSAS experts conduct a final review. The COP agreed with the request, and the activity will be completed during the following quarter.

- **Treasury subsystem use cases design** – The program has supported the treasury subsystem use cases design. In April the use cases will be validated and approved in a workshop with the DGT technical staff and FPEMP experts.

- **Implementation of the DGP functional administrative reform** – The program submitted the DGP functional administrative reform validated by the DGP technical staff that supported the document development. The program is waiting for approval from the DGP Director to prepare the agreement that will be signed by the Vice Minister of Finance.

- **Support for the budget subsystem development work plan** – The program agreed with the MOF in supporting the budget formulation module use cases validation, the budget

formulation module code generation, and the budget execution module use cases design. The program delivered training on use cases design methodology to the DGP technical staff to validate the budget formulation module use cases and design the budget execution module use cases with support from the FPEMP budget use cases design expert.

- **Coordination with the MOF and donors on the SAFI II development plan** – The SAFI II work plan was developed by DINAFI with support from the World Bank. The program developed the treasury subsystem work plan that was incorporated within the entire master plan. Additionally, the program provided a proposal for the strategic plan to be considered in the World Bank final document.

- **Development of the COMPRASAL II PAAC module –** The program began developing the PAAC module of COMPRASAL II. It is expected that the module will be completed in June 2014.

NEXT STEPS

The main activities for the next quarter are:

- **Design of the accounting subsystem use cases** – The program will begin designing the accounting subsystem use cases in coordination with the DGCG. The use cases will include all system requirements and business rules generated by accounting procedures with treasury, budget, procurement, assets, human resources, and financial accounts components. The work will last approximately six months.

- **Development of the IPSAS adoption implementation work plan** – A detailed implementation work plan will be developed and submitted to DGCG for approval.

- **Development of the IPSAS procedures and policy manual** – The program will begin the development of the IPSAS procedures and policy manual. The program has already obtained approval from the Costa Rican Government to share their policy manual with the El Salvador MOF in order to save time in implementation. The agreement was signed by the Minister of Finance of Costa Rica and is pending the signature of the Salvadorian Minister of Finance. The program is requesting that the MOF proceeds with the document signing so this task can begin as soon as possible. It is expected that the signature will take place in March.

- **Complete the treasury subsystem use cases design** – The program will complete the treasury subsystem use cases design. The FPEMP treasury experts will deliver a workshop to the DGT technical staff, where the team will validate the use cases. Once adjusted, the use cases will be presented to all Directors and will be handed over to the Vice Minister of Finance.

- **Development of the treasury subsystem software** – It is expected that once the treasury subsystem use cases are completed, the program will begin the development of the treasury subsystem software.

- **Design of the budget execution module use cases** – The program will begin the budget execution module use cases design in coordination with the DGP. The use cases will include all the processes related to budget modifications, budget execution programming, budget execution of revenue, revenue registration, expenditure registration with budget affectedness,

expenditure registration without budget affectedness, contracts and purchase orders, tickets and per diem, basic services, petty cash and reports. The work will last approximately four months.

- **Development of the budget formulation module code generation** – The program will develop the budget formulation module code generation.

COMPONENT B: Tax Revenue Mobilization

FPEMP aims to develop a strong, modern Salvadoran tax administration that is more equitable, efficient and taxpayer-friendly.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks within Component B during the quarter, including:

- **Supported the TRS institutionalization** – The program completed the cleaning of the TRS with outstanding results and requested that the MOF institutionalize the cleaning task, so the tax administration can perform this activity on a daily basis moving forward. In January with the support of FPEMP, the MOF created the group that is currently performing the TRS cleaning to keep the system from becoming polluted again. The program will continue to follow up on the group activities.

- **Supported the TCA institutionalization** – The program completed the cleaning of the TCA, so the taxpayers and the tax administration now have more accurate taxpayer information on tax debits and credits. During the cleaning activity, FPEMP requested that the MOF institutionalize the cleaning, so the tax administration can perform this activity on a daily basis moving forward. In January with the support of FPEMP, the MOF created the group that is currently performing the TCA cleaning to keep the system from becoming polluted again. The program will continue to follow up on the group activities.

- **Attended the Organization for Economic Co-operation and Development (OECD) and Inter-American Center of Tax Administrations (CIAT) conference on tax administration** – As a coordinated effort with GIZ, the COP attended to the OECD and CIAT conference on Base Erosion and Profits Shifts. The GIZ Project Director, the DGII Director and the Large Taxpayer Office Manager were also in attendance. The Base Erosion and Profits Shifts initiative was proposed under the G-20 as a strategy to support the development of multilateral and bilateral initiatives to prevent tax avoidance, tax evasion, the erosion of the tax base, and the shifting of profit performed by large corporations. The COP explained that the tax gap analysis completed under the US Treasury Technical Assistance Office and the results from USAID projects in several countries in Latin America showed the deep impact that transfer pricing has in tax collection and in the capacity of the tax administration to levy income tax. He added that it was necessary to implement multilateral efforts and strengthen tax regulation in the entire region.

- **Completion of the fiscal audit, portfolio management (gestion tributaria y grandes), notary (fedatarios), punto fijo, and special plans audit modules** – The program continued developing CSMS II and completed the development of more than 50% of the entire system. The modules developed included the fiscal audit, portfolio management, notary, punto fijo and special plans audit. The audit module for customs was completed as well, but because the Customs General Directorate did not provide access to the SIDUNEA Plus (Customs Information System), the system will not be deployed until the access is granted. The testing of these modules was met with serious challenges due to the lack of support from the MOF. Regardless, the program worked diligently to comply with the testing schedule, and the

system will be ready for deployment in March – well ahead of the July deadline requested by the MOF. Once the system is launched, it will help the tax administration to improve in tax control and tax collection.

ACTIVITIES/WORK PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component B:

- **Support for the web services implementation** – The program continued supporting the implementation of the web services for tax collection and tax return reception. By the end of the quarter, 60% of the banks were online and operating with the web services, which are a key component in the effort to keep the TCA from becoming polluted again. After the system was developed, it remained unused until FPEMP made adjustments that led to new agreements with the MOF for its use. It is expected that the system will be fully operational by June.

- **Support for the TCA procedures improvements for DGII and DGT** – FPEMP continued supporting the Tax Information System migration to begin the development of the interface between DGII and DGT for an online updating of the TCA. The DGII continues to experience problems migrating the Tax Information System from OAS framework to JBOSS framework. It is expected that the task will be completed during the next quarter, and the program will continue following up on this task in order to begin the interface development.

- **Deliver training program on CSMS II modules** – The program delivered training on the CSMS II completed modules. The training sessions have helped the DGII users to understand the new CSMS II functionalities and to solve software issues before deploying the modules in the production environment.

- **Development of the CSMS II Hearings and Test Opening Unit (UAAP) module** – The program began the development of the CSMS II UAAP module. The process will last until the end of the year.

- **Deployment of the CSMS II audit modules for DGII** – The program is working in coordination with DGII to deploy the CSMS II audit modules for DGII. It is expected that the modules will be deployed in the next quarter.

NEXT STEPS

The main activities for the next quarter include:

- **Continue supporting the TRS and TCA improvements** – The program will continue supporting the TCA and TRS cleaning operations. Additionally, it will monitor the Tax Information System migration in order to begin the development of the interface between DGII and DGT, and it will also monitor the web services implementation. These efforts will ensure that the TCA and TRS will not become polluted in the future.

- **Continue the CSMS II UAAP module development** – The program will continue with the CSMS II UAAP module development. The program aims to complete the module development as soon as possible.

- **Continue the CSMS II audit modules for DGII deployment** – The program will deploy the CSMS II audit modules for DGII in coordination with the DGII.

- **Continue to deliver the CSMS II training program on CSMS II modules** – The program will continue to deliver the CSMS II training program on CSMS II modules in order to address user doubts and software issues.

COMPONENT C: Private Sector Outreach

In component C, the program continued advocating for a political decision from the GOES in moving forward with a strategy that bridges differences and builds consensus through outreach and dialogue. Although the program understands that due to the presidential campaign there is a low likelihood of a political decision on this matter, the program will work in preparing a proposal for the new government. Nevertheless, FPEMP aims to reinvigorate the dialogue between the government, the private sector, and the broader public through the implementation of such alternative strategies as the EXPRESATE center, the improvement of the fiscal transparency portal, and the inclusion of the municipalities in a fiscal transparency strategy.

Additionally, under component C, the project continued supporting the reform of the MOF Human Resources system through the initiative coordinated by Presidential House for the entire public sector and the MOF goals to improve human talent.

KEY ACCOMPLISHMENTS/HIGHLIGHTS FOR THE QUARTER

FPEMP accomplished several important tasks within Component C during the quarter, including:

- **Launched the Trilateral Cooperation on Fiscal Transparency** – The program launched the Trilateral Cooperation on Fiscal Transparency. The Salvadoran Minister of Foreign Relations, Brazilian Ambassador to El Salvador, USAID Deputy Mission Director, USAID Bilateral Program Director, COR, donors, MOF staff, the press, and five Brazilian Experts from the Brazilian Union Accountability Agency and the Brazilian MOF attended the event. The initiative involves the participation of the governments of the United States and Brazil in supporting the fiscal transparency modernization of the GOES.

- **Delivered workshops on fiscal transparency** – After the Trilateral Cooperation on Fiscal Transparency event, five Brazilian Experts from the Brazilian Union Accountability Agency and the Brazilian MOF delivered workshops on fiscal transparency. In attendance were members of the MOF technical staff. The attendees learned about the Brazilian experience in developing fiscal transparency portals. Additionally, the Brazilian experts reviewed the work FPEMP is doing with the MOF in the improvement of the fiscal transparency portal. They expressed that the task of developing the portal around the citizens' needs for accurate and proper information is the correct way to proceed, and they agreed with the COP on the need to continue providing technical support throughout the year. It is expected that in the following month they will travel to El Salvador to discuss the advances that FPEMP and the MOF are making in the improvement of the transparency portal.

- **Launched the Fiscal Transparency Initiative for Municipalities** – The program launched the Fiscal Transparency Initiative for Municipalities, working in coordination with another USAID-funded project, Municipal Competitiveness. Technical staff from 18 municipalities, including 7 mayors, attended the event, and the 18 municipalities expressed their full commitment to the initiative. It is expected that the task of improving the MOF transparency portal to include the municipalities' fiscal information will begin in the next quarter.

- **Participated in the Partnership for Growth (PFG) fair under the EXPRESATE center initiative** – The program participated in the PFG fair under the EXPRESATE center initiative. As part of the USAID dissemination of the PFG results, the program created a stand at which the more than 400 visitors participated in recreational-informative activities on tax, revenue, and their importance in development and economic growth. Plays and gaming activities were implemented during the all-day fair, and all participants received small promotional items regardless of their age.

- **Established the MOF Training and Human Talent Development Department (DFDMH) computer lab** – During the quarter, the program established the DFDMH computer lab for the MOF. The computer lab includes 20 desktops, software, 40 computer desktops, chairs, and video and sound equipment.

ACTIVITIES/WORK PROGRESS

The following paragraphs contain a short description of activities in progress during the quarter for Component C:

- **Redesign of the fiscal transparency portal** – The program is working on the fiscal transparency portal redesign. The contractor redesigning the portal has validated the work plan and has begun interviewing with the MOF areas of revenue, debt, investment and expenditure. It is expected that by March a first concept model will be delivered for review by FPEMP, the MOF, and two Brazilian experts.

- **EXPRESATE center activities** – FPEMP continued to perform follow-up activities in support of the EXPRESATE center. During the current year, the DGII will implement the recommendation of FPEMP to include the private schools in the EXPRESATE activities.

- **Support for the implementation of the MOF Human Resources system based on competencies** – The program continued supporting the implementation of the MOF Human Resources system based on competencies. It is expected that at least five functional units will undertake the performance evaluation process this year.

- **Donor coordination with GIZ and AECID in the development of the white paper for the Fiscal Sustainability Agreement** – To move forward with the support for the GOES in the development of a fiscal pact that could not formed under the current Government due to lack of political will, the program proposed to GIZ and AECID that a white paper for the Fiscal Sustainability Agreement be developed. The current fiscal scenario is in a critical state, and it is important for the GOES to improve tax collection and adjust the public expenditures without sacrificing social investment. The paper will have four chapters: the first will be an expenditure-revenue forecast for the next 10 years, showing the impact on the sovereign debt and the fiscal deficit; the second will provide details on the international experiences with fiscal pacts implemented in Latin America and Europe; the third chapter will make recommendations on the possible tax component; and the fourth will include the recommendations on the expenditures component. Special emphasis will be made on the fiscal transparency and public expenditure tracking by private sector and civil society. The document will be developed from April through June and will be delivered to the new administration in the first week of July.

- **Implementation of the Trilateral Initiative on Fiscal Transparency** – The program continued implementing the trilateral initiative on fiscal transparency, and the tasks to improve the fiscal transparency portal of the MOF continued during the quarter. The development of the new usability strategy was advanced, and it is expected that in March the first concept model will be discussed with a team from the Brazilian Government.

- **Coordination with the Municipal Development Sub-secretariat for fiscal transparency initiative for municipalities** – During an event organized by the program, the municipalities asked if other GOES institutions will participate in similar efforts in the future. To address this, the program initiated contact with the Sub-secretariat to discuss the trilateral initiative activities and avoid the duplication of efforts. It is expected that in March FPEMP will hold meetings with the Transparency Sub-secretariat and the Territorial Development Sub-secretariat to discuss possible coordination on this matter.

NEXT STEPS

The main activities for the next quarter are:

- **IVP to Brazil to learn about the Brazilian fiscal transparency practices** – The program will conduct an IVP to Brazil to learn about the Brazilian fiscal transparency practices. It is expected that eight members of the MOF technical staff will attend the IVP.

- **Workshop with Brazilian experts to evaluate the Salvadoran fiscal transparency portal redesign proposal** – Two Brazilian experts will work with the MOF technical staff and the FPEMP contractor in charge of the modernization of the fiscal transparency portal to review the fiscal transparency portal redesign proposal.

- **Workshop on the fiscal transparency initiative with the Transparency and Anticorruption Sub-secretariat** – A Brazilian expert will work with the Transparency and Anticorruption Sub-secretariat on the fiscal transparency initiative. The expert will discuss the Brazilian experience in fiscal education and citizen awareness, the GOES Transparency and Anticorruption Policy, Brazilian instruments for citizen participation in Government accountability, and recommendations.

- **Development of Chapter III of the Fiscal Sustainability Agreement White Paper** – The program will develop the recommendation on tax and revenue components to be included in a possible Fiscal Sustainability Agreement between the GOES, the private sector, and civil society. This document will serve as chapter III of the white paper that will be developed in coordination with GIZ and AECID for submission to the new GOES as a recommendation of the three technical assistance projects to be considered for an eventual fiscal pact.

- **Continue supporting the EXPRESATE center activities** – The program will continue supporting EXPRESATE center activities.

- **Continue supporting the implementation of the MOF HR system based on competencies** – The program will continue supporting the implementation of the MOF HR system based on competencies. Bimonthly meeting will be held with the MOF HR Department.

- **Continue supporting the fiscal transparency initiative for municipalities' implementation** – The program will continue supporting the fiscal transparency initiative for

municipalities. An event will be planned to confirm the municipalities' commitment to fiscal transparency, and a working meeting will be organized with Brazilian experts. The meeting will confirm which municipalities will be the first to post data on the transparency portal. Subsequently, the program will initiate the data analysis, explore ways to post it on the portal, and develop a proposal to be presented to the municipalities for approval. This task is critical, as the municipalities in El Salvador have not yet developed a proper transparency and accountability practice showing all revenue and expenditure data for citizen scrutiny and control.

MOF's Progress towards GOES Goals

The USAID contract mandates that FPEMP/DAI reports, on a quarterly basis, on the GOES progress toward the following targets:

GOES Target	Progress
Build the foundations to move from the current budget system to a Results-Oriented Budget system for Health, Agriculture and Economy	The DGP continued reviewing and evaluating the DGP functional administrative reform proposal. Nevertheless, the DGP has not agreed on the schedule for the budget program design on health, agriculture and economy. FPEMP in coordination with GIZ continued demanding that the DGP Director comply with the agreed timeline. The Vice Minister submitted a memo to all the Ministries informing them that the program design using a results-oriented modality will begin implementation within the current year.
Implement a fully operational TSA	The DGT continues implementing the TSA and now has 19 entities integrated into the TSA. The DGT has assigned 6 technicians to work on the SAFI II treasury subsystem use case validation. The new treasury subsystem will fully implement the advanced TSA system with all the GOES entities included.
Develop and implement the SAFI II	Due to the fact that the SAFI II has not had any advances to date, the MOF requested FPEMP support in the development of the SAFI II. Currently, under the coordination and support of FPEMP, the MOF and the program experts are developing the use cases of the budget execution module, treasury subsystem and accounting subsystem.
Develop and implement an e-Procurement System	The MOF requested that FPEMP support the development of the e-procurement system, COMPRASAL II. UNAC assigned full-time staff to support FPEMP in the COMPRASAL II development.
Increase tax revenues by 2.0% of GDP by 2015	The DGII continued implementing the CSMS II modules deployed by FPEMP during the previous quarter. The CSMS II fiscal compliance module has supported the MOF in the collection of $3.1 million in taxes during the period of April 2013 to January 2014.
Develop new scenarios for private sector and civil society participation in fiscal matters and new transparency and accountability practices	The MOF continued advancing with FPEMP the fiscal transparency upgrade task and has committed full support to hosting the fiscal transparency portal for municipalities. During the launch event of the trilateral cooperation of fiscal transparency, the Vice Minister of Finance and the Minister of Finance fully committed the MOF to implement a transparency portal that incorporates international standards.

Successfully implement current and future tax reforms	During January 2012, the DGII with FPEMP support developed a dissemination strategy of the 2011 fiscal reforms. During the quarter, the DGII continued implementing fiscal reforms.

FPEMP's Progress Report – Performance Indicators

Finally, this report presents FPEMP/DAI progress towards achieving the program results:

FPEMP result	FPEMP progress
COMPONENT A	
1. At least twenty-five Public Sector Institutions using multiyear Results-Oriented Budgets (ROB) by the end of the project	The program began the planning of the development of the use cases for the budget execution module in the SAFI II. The new budget subsystem will implement the programmatic budget under a results-oriented structure. Additionally, the project committed its support to the SAFI II development upon MOF request.
2. Treasury enabled to make electronic payments on behalf of GOES entities by the end of the project	The program continued developing the use cases for the treasury subsystem for the SAFI II and provided training to the DGT staff that will validate the use cases and support the system testing. Furthermore, the program committed its support to the development of the new treasury subsystem and developed the detailed work plan.
3. A strengthened MOF Budget-Planning Unit by increasing the knowledge and IT resources of each unit	The program completed a study tour to the MOF of Argentina to learn from the Argentinean experience in budget monitoring and evaluation, budget planning, results-oriented budget implementation, and budget execution control instruments. Additionally, the program began the preparation of the team for the budget execution use cases design.
4. Six hundred MOF personnel trained in modern expenditure system management techniques by the end of the project	As noted above, FPEMP completed a study tour to the MOF of Argentina. The study tour was attended by the DGP Director, the Medium Term Expenditure Division Chief and one technician from the Medium Term Expenditure Division. In addition, GIZ accepted an invitation from the COP to participate in the training and fund two DGP staff. Ultimately, they sent two GIZ consultants and covered the costs for two DGP technicians.
5. Support the MOF in the migration from SAFI to SAFI II	As explained in the report, FPEMP initiated support for the development of the SAFII II. The program initially provided support for the treasury use cases design and delivered training to the MOF counterpart team on use cases

	methodology. The program provided the MOF with recommendations on the methodology and strategy for the system development and supported the development of the SAFII II work plan.
6. Introduce and promote implementation of IPSAS	FPEMP completed the public accounting conceptual model under IPSAS development and obtained DGCG approval. The program also reviewed the proposed chart of accounts and began making the adjustments requested by the DGCG.
7. A functional web-based Public Expenditure Tracking System available to the public.	FPEMP launched the trilateral fiscal transparency initiative in coordination with the governments of the United States, Brazil, and El Salvador. A workshop on Fiscal Transparency was conducted for the MOF with the participation of the Brazilian team. In addition, the program continued to upgrade the MOF fiscal transparency portal.
COMPONENT B	
8. Up-to-date, consistent and clean Taxpayer Current Account (with modern database management guidelines)	The program completed the cleaning of a total of 21,523 taxpayer current accounts and supported the GOES institutionalization of the TCA cleaning. Since mid-January, the MOF has performed this cleaning as part of its regular operations.
9. Up-to-date, consistent and clean Taxpayer Registration System (with modern database management guidelines)	The program completed the cleaning of a total of 7,730 taxpayer's registration accounts and supported the GOES institutionalization of the TRS cleaning. Since mid-January, the MOF has performed the cleaning as part of its regular operations.
10. Up-to-date, consistent and updated Case Selection Management System (with modern database management guidelines)	FPEMP completed the development of the 50% of the CSMS II integrated by fiscal audit, portfolio management (gestion tributaria y grandes), notary (fedatarios), punto fijo, and special plans audit modules. The program provided training in coordination with the DGII counterpart team and the modules will be deployed during the next quarter.
11. An automated functional system, which reconciles the taxpayer database on a periodic basis	The program continued following up on the TCA and TRS migration, the tax returns reception, and tax payment web services implementation.
12. No less than 300 MOF personnel trained to	During the program's third quarter, FPEMP

effectively apply the fiscal reforms in order to generate the expected additional income	provided support to the DGII in the training of 2011 fiscal reforms to 83 MOF personnel.
13. Provide technical support in the strengthening of the Large Taxpayer Unit areas of income tax and transfer pricing audit techniques	In previous quarters, FPEMP supported the creation of the new large taxpayer office, the Front and Back Office for the large taxpayers, the kiosk system and the strengthening of the audit skills of the large taxpayer office.
COMPONENT C	
14. No less than 60 private sector actors, at all levels, assisted to better understand the new fiscal reforms passed in December 2011	During the program's third quarter, FPEMP provided support to the DGII in the training of the 2011 fiscal reforms to 1,114 taxpayers.
15. Effective promotion leading to the establishment of a public private commission by Salvadoran actors, with the goal of monitoring on yearly basis the approved budget versus actual GOES expenditures	FPEMP continued coordinating the development of the white paper on a fiscal sustainability agreement with GIZ and AECID. It is expected that the document will be completed by June and delivered to the new administration in early July.
16. Development of a Fiscal Transparency Policy with the MOF and GOES	FPEMP launched the trilateral initiative on fiscal transparency in coordination with the governments of the United States, Brazil, and El Salvador. A training session on international best practice for fiscal transparency was delivered with the participation of the Brazilian experts. The municipal fiscal transparency initiative was launched with the participation and commitment of 18 municipalities.
17. A functional state of the art in-house training program to provide MOF personnel with continuous up-to-date techniques and technical knowledge	FPEMP established a fully operational computer lab. In addition, the program continued to follow up on the new HR and training system.
18. GOES assisted and facilitated discussions with the private sector in forging a new fiscal pact to increase resources to address the pressing social and economic needs of the country	FPEMP took the initiative to coordinate efforts with Spanish and German cooperation to work on a fiscal pact proposal for the new government.